

# WIDENING OUR GLOBAL REACH



Widening its reach, the Sembcorp Marine Group further expanded its global operations into new growth areas through strategic investments and partnerships. A broader worldwide presence combined with stronger operational capabilities would allow the Group to provide more value-added and cost-competitive solutions to its customers and stakeholders. Several strategic partnerships were forged during the year to expand into new markets.

## Venture into Saudi Arabia

The Group made inroads into Saudi Arabia through the formation of SembMarine (Middle East) Pte Ltd. This \$11-million joint venture is 60 per cent owned by Sembcorp Marine, with the remaining 40 per cent held by Nasser Mohammed Al-Mukairish and Partners Company.

Through the joint venture, both companies are founding shareholders in the Floating Dock for Shipbuilding and Ship Repair Company (FDSCO), which will build, own and operate the FDSCO Yard during its 30-year term. The 21-hectare FDSCO Yard will be strategically located on Al Jazeera Island, which is part of the Yanbu Commercial Port facing the Red Sea. When fully operational in 2009, it will be well-positioned to offer ship repair services to ships plying the Suez Canal between the Red Sea and the Mediterranean Sea. It will also offer shipbuilding, ship repairing and marine engineering facilities and services to the region's heavy industries.

The FDSCO Yard will feature a ship-lift system for the new building and repair of vessels up to handymax size and a floating dock for repair of vessels up to suezmax size. Other associated facilities will include ship construction halls, wet and dry berths, final outfitting and commissioning quay, supporting infrastructures and services as well as training facilities.

## Investment in India

Sembcorp Marine forged a strategic partnership with SKIL Infrastructure Limited involving an

investment of Rs 787.5 million (S\$29.12 million) for a 3.31 per cent share in Pipavav Shipyard, a new yard under development and construction. Under this collaboration, the Group will provide advice on the infrastructural design and layout, management and technical systems, and capabilities training in the setting up of the new yard.

Scheduled for completion at end 2008, Pipavav Shipyard will be strategically located on the west coast within the vicinity of Pipavav Port in Gujarat, along the Middle East-Singapore sea route. Poised to be one of the largest shipbuilding yards in India, the 85-hectare shipyard will be geared towards building large vessels of up to Very Large Crude Carrier (VLCC) size, supported by a 600-metre-long VLCC dry dock, shipbuilding workshop facilities and equipment. To date, the yard has secured contracts worth a total of US\$1 billion for the construction of 22 panamax-sized ships with options for an additional four vessels.

## Partnerships in China

Sembcorp Marine further deepened its connections in China through fostering alliances with local partners to deliver value-added solutions and customised services to customers in this fast-growing market.

In expanding its offshore and marine business in China, the Group's subsidiary SMOE acquired a 35 per cent stake in Shenzhen Chiwan Offshore Petroleum Equipment Repair & Manufacture Co. Ltd (CPEC) from Sembcorp Utilities for S\$1.3 million.

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CPEC, which is headquartered in Shekou, Shenzhen, complements SMOE in the areas of offshore fixed platforms, specialised modules and floating production systems. These synergistic capabilities position SMOE to broaden its business operations to encompass South China's marine, oil and gas-related businesses as well as to serve its international oil major customers operating in Chinese waters.

SMOE sealed another strategic partnership with China National Petroleum Company's wholly-owned subsidiary Huan Qiu Contracting Engineering Corporation, China's leading design and engineering company for the chemical industry. This resulted in the formation of a joint venture, HQSM Engineering Pte Ltd to grow both companies' plant construction business. SMOE holds a 49 per cent stake in this joint venture.

To strengthen its engineering support for projects in the region, Jurong Shipyard invested RMB1.75 million (approximately S\$350,000) for a 70 per cent equity stake in Shanghai Jurong Marine Engineering & Technology Co. Ltd, a Shanghai-based company specialising in design and drafting work.

### Streamlining of US Operations

Sembcorp Marine's strategic acquisition of Sembcorp-Sabine Industries and its business units – Sembcorp-Sabine Shipyard and Sembcorp-Sabine Offshore Services – from subsidiary PPL Shipyard, enabled the Group to streamline its US operations for operational effectiveness. The Group plans also to outfit the 223-acre yard facility in Sabine Pass, Texas, to enhance its service to customers requiring offshore rig repairs, refurbishment and rig building in the Gulf of Mexico region.

### Strengthening the Support Network

During the year, subsidiary Dolphin Shipping forged a 50:50 joint-venture partnership with Entraco Venture Corporation Pte Ltd to form Dolphin Workboats Pte Ltd. The company will own and manage a fleet of vessels, including tugs and barges, to provide support services to the Group's Southeast Asian operations.

### Expanding Capacities and Capabilities

Continual investments were made across the Group's yards to increase the operational performance and production capacity to better serve customers.

A significant development for the year was the opening of Sembawang Shipyard's new West Yard, which more than doubled the shipyard's fabrication capacity. With a resulting 50 per cent gain in area space, the enlarged yard now features ample fabrication ground and additional facilities, including two 750 sqm blasting chambers, a 2,600 sqm enclosed painting chamber, 12,000 sqm hull fabrication workshops, a 1,500 sqm outfitting workshop, a slipway and newbuilding site totalling 30,000 sqm, three 900 sqm fabrication and assembly traveling shelters, 680 sqm of project offices, a 30,000 sqm storage area and eight units of 250-ton crawler cranes.

At Jurong Shipyard, various improvements were made to boost production volume and operational efficiency. New infrastructural developments included the addition of customer offices, workshops for chord fabrication, jack-up leg fabrication, piping and outfitting as well as warehouse facilities for pipe storage. The yard also invested in new state-of-the-art CNC and plasma steel-cutting equipment, a steel-bender machine and new cranes. Additionally, the yard enhanced its engineering and design capabilities with the latest 3D modeling and production output software.

SMOE also saw a 30% per cent increase in yard area, providing more construction and storage space as well as land for new workshops and project offices. The production efficiency of working processes in the yard was given a significant boost in 2007 with the purchase of several advanced machineries for the cutting of steel and pipe structures.

In Indonesia, the Group's subsidiaries scaled up their facilities and capabilities in line with an increase in production activity. PT Karimun Sembawang Shipyard expanded its land area by 15 hectares to 35 hectares, providing it with more capacity for steel fabrication works. At the same time, PT SMOE Indonesia's second-phase expansion programme witnessed the building of three fabrication workshops measuring 61m x 110m each, the largest ever built on Batam Island. PT SMOE Indonesia also refurbished its existing quayside to accommodate a heavier load-out weight of 2,500 metric tonnes for platforms and 15,000 metric tonnes for jackets.